



“Financial Innovation and Fintech: CNMV’s Role” FINTECH – CNMV FORUM

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Good morning. Welcome to the conference series on financial innovation organised by CNMV. I would first like to thank Jaume Giró, the Regional Minister of Economy and Finance of the government of Catalonia, for joining us and who I will introduce shortly, as well as the rest of public and private organisations, entities, and associations who have participated and collaborated in the promotion of the Fintech conference.

We are in CNMV’s office of Barcelona. I am happy to be here, not only because it is my hometown, but because Barcelona and Catalonia are, without a doubt, a European benchmark in innovation and entrepreneurship, with the high number of technology companies in the territory as proof of this, as well as the hosting of numerous events related to technology and innovation.

Moreover, there is also a long tradition of public-private collaboration, with associations such as Barcelona Tech or Distrito @22, which serve as a lever to harvest joint efforts between public administrations and the private sector.

CNMV’s Strategies and Actions

I would like to start by highlighting the value of public-private collaboration in technological innovation and in the fintech industry, as I strongly believe that this is the best way to move forward as a society.

All of us here are firm believers that innovation is one of the essential drivers of economic and social progress. Innovation not only makes us more efficient and productive, but also enables taking big steps forward and great structural advances in citizens’ well-being. In the financial sector, new technologies help to disintermediate processes and save costs, offer new digital channels to interact with customers, improve company financing and product offerings, and, in short, promote the role of securities markets in financing of the economy and improving customer services.

But, of course, not all new technological development is beneficial or risk-free. There may be risks or unwanted effects to be managed, which requires public intervention. Additionally, on the other hand, innovation can often be positive, but may not flourish simply because of regulatory barriers that limit its implementation. All this brings us to these ongoing conversations between the private sector and public institutions.

There are also, from my point of view, three elements that require special attention. Firstly, the intensity and speed with which changes in technology are taking place,

especially after the pandemic has given a boost to the adoption of digital technology. Secondly, the rise of new actors and new interdependencies, which increase risks such as cybersecurity. And lastly, the development of the platform economy, which, thanks to network effects, is rapidly growing and facilitates the connection between different providers and users.

All this brings me to an environment of increasing financial interconnectedness, in which we necessarily have to work closely and in a coordinated manner between all parties.

For years CNMV has been looking for ways to promote innovation in financial markets, this being, in fact, one of our strategic lines of action. For this reason, we have developed channels of communication with the sector, and I am using sector in a broad sense, that is, not only those we already supervise or regulate, as innovation does not only come from the established financial industry, but often it is precisely the entrepreneurs or unregulated Fintech companies that are the most innovative.

That is why, in 2016, we created the Fintech Portal, which is our innovation hub, to help companies better understand the existing regulatory framework and where we are able to provide guidance to those that approach us on how they can better manage their projects. Since its launch, we have answered more than 600 queries and published a Q&A document on the most common questions.

We have also been actively involved in the sandbox or controlled testing area in Spain which, under the supervision of the various competent authorities, analyses the viability of digital projects in financial services. We have now run three cohorts of projects and are leading four very promising and challenging initiatives. Many of such projects use distributed registries to enhance services such as tokenisation of investment fund shares or tokenisation of equity loans to finance business projects. In fact, today's panel will go into detail on the recent sandbox experience.

Event Objectives

In this regard, today's event has two major objectives, in my opinion. Firstly, to raise awareness of regulatory initiatives in the digital field. I would highlight two of them:

- On one hand, and perhaps not as widespread, is the future Regulation for the creation of a pilot scheme for market infrastructures based on distributed registration technologies or DLT. Said Regulation will give place to secondary markets where crypto-assets that are financial instruments, such as shares or tokenised bonds, will be issued, traded and settled, with the blockchain system handling the entire recording. This is a major innovation for which an ad-hoc pilot scheme has been set up to help assimilate the technology and innovation, with appropriate safeguards. The first panel of the day shall focus on this very interesting project.
- On the other hand, the regulation that refers precisely to assets that are not financial instruments and are currently outside the scope of regulation is also worth highlighting.

I am referring to the Regulation known as MiCA, which will respond to the current challenges that the sale of such crypto-assets is generating. Such framework, which

must necessarily have an European scope to be effective, will regulate aspects such as issuance, distribution, custody, and basic market trading standards.

However, as long as the crypto-asset sector is unregulated, I once again urge those venturing into this world to take extreme caution, especially when it comes to non-cash backed cryptocurrencies and speculative investments. For some time now, CNMV has been warning of the risks of this type of investment with a high speculative component, practice of which seems to go along better with gambling in casinos than to investment in assets. Investment in cryptocurrencies is not regulated in Spain: purchases made in virtual wallets of this type of cryptocurrency have no guarantees, nor are intermediaries subject to minimal operational controls.

For our part, since the beginning of the year advertising of crypto-assets offered as investment objects has been regulated by requiring clear warnings on advertisements in the style of the warnings on cigarette packets. We also pay special attention to the messages generated through social networks and the activity of influencers, with a greater reach to young people, who are precisely those who are mostly accessing such assets. In fact, I remind influencers to be responsible and if they promote investment in cryptocurrencies to also warn about the risks of these assets.

The second objective I would like us to achieve today is to highlight the high quality of many of the projects with which we have been collaborating, several of them originating here in Catalonia. Projects led by highly talented people, who will share their experience and vision with us today.

In doing so, we want to create strong links with the Fintech sector. To show the tools we have as supervisors, share points of view and also possible discrepancies, and help each other to improve our knowledge of the fast-growing industry.

We are fortunate to be living at a fascinating time, when artificial intelligence, big data, or distributed records can radically transform stock markets. And that is what they are doing.

The idea is to find ways to ensure that these changes, however disruptive, are carried out in an orderly fashion, while maintaining customer protection and managing the challenges that may arise along the way. Our commitment to innovation is strong and we are convinced that an innovative, more efficient, and safer market can be achieved.

Conclusion

I will finish. Thank you again for the positive response to this event. We now have the pleasure of turning it over to the Regional Minister of Economy and Finance of the local government of Catalonia, Jaume Giró, who, in addition to the relevance of the position he holds and the vision he can as such, his extensive professional experience and wide range of knowledge will surely provide very interesting ideas. Gràcies de nou Conseller per la presència en aquest acte.